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PRESENTATION

Andreas Rinofner

Ladies and gentlemen, a very warm welcome to our live webcast presentation of OMV's results for the first 9 months of 2019. We will start with a short video for an overview.

[Presentation]

Ladies and gentlemen, the geopolitical situation and the economy worldwide presented a very challenging environment for OMV's business in the first 9 months. How did the company perform under these conditions? CEO, Rainer Seele, will explain it based on the consistent implementation of our strategy, the milestones achieved and, not least, the figures. (Operator Instructions)

So now I want to hand over to Mr. Seele.

Rainer Seele - *OMV Aktiengesellschaft - Chairman of the Executive Board, CEO & CMO*

Yes, thank you. Good morning, ladies and gentlemen, and thank you for joining us here in Vienna for our webcast on the results for the first 9 months of 2019.

Looking at these first 9 months, one thing is crystal clear. OMV has consistently continued its strategic path, which has been successful. Despite the significant slump in oil and gas prices in the first 9 months of 2019, OMV really managed to exceed its excellent earnings from the same period of the previous year once again and generated a clean CCS operating result of EUR 2.8 billion.

Before I turn in detail to the milestones and results, I would like to take a brief look at the macroeconomic environment. We have observed 2 developments on the oil and gas markets. One, on the hand, ongoing trade conflicts and the threat of sanctions, coupled with flare-ups in regional conflicts have weakened the global economy and thereby led to a decrease in oil demand. The consequence has been a significantly lower oil price than in the same period of the previous year. The price per barrel of Brent averaged \$65 and was thereby 10% lower.

The other development happened after the attacks on oil facilities in Saudi Arabia, and it demonstrates the fundamental tensed situation about global crude reserves. The oil price shot up by 20% at a single stroke, the sharpest single price increase in the past 28 years. After all, Saudi Arabia is more or less the only country that can balance out any significant fluctuations in demand, especially since some oil producers have been frozen out of the global market through sanctions. Taken together, the 2 developments clearly illustrates the volatile nature of the situation in which we find ourselves now. It is clear that oil companies will need to give a response. What is OMV's response? Further portfolio diversification and even stronger integration of our business model.

Ladies and gentlemen, the downturn of the global economy has had an even stronger impact on gas prices. These prices have experienced a considerable decline over the course of 2019. At EUR 15.3 per megawatt hour, the price of the Central European Gas hub in Vienna was down by 31% compared to the same period of last year. Main reason for this development were the warm winter weather and above-average storage level across Europe. Capacities were already broadly filled in summer as well as lower LNG demand in Asia so that more LNG cargoes landed over here in Europe.

Nonetheless, the performance of OMV's refining indicator margin was impressive. At \$4.3 per barrel, it may have been 19% lower than in the same period in 2018, but this -- the average doesn't explain the end to the downward trend after the first 2 quarters in 2019. The refining margin in the

third quarter went up as high as \$5.5 per barrel. The primary factors were the good market performance of mill distillates triggered, in particular, by the first positive impacts of the IMO regulation that imposes stricter limits on sulfur content and heavy fuel oil for the shipping industry, starting from 2020 onwards.

We have seen a total different development in the NAFTA markets with weak seasonal demand, but this was precisely what helped the net margin for the ethylene and propylene primarily as a result of the lower NAFTA prices. This margin climbed by 6%, reaching an average of EUR 456 per tonne in the first 9 months and then improving OMV's petrochemical performance.

Let me now address some of the key undertakings of the first 9 months. We achieved a key milestone for our Downstream business end of July when we closed the transaction to acquire a 15% interest in ADNOC refining and trading joint venture for the export production from the fourth largest refinery in Abu Dhabi. This marks the first time that OMV has executed a strategy to establish a fully integrated business model outside Europe from the -- well along the value chain to petrochemicals. The realization of this strategic approach has been extended by 2 MOUs signed with our partner, ADNOC, to evaluate opportunities for joint projects in the field of petrochemicals as well as the feasibility of establishing a ReOil plant in the United Arab Emirates.

As the country of our second largest shareholder, Abu Dhabi is not only our home from home. As a key hub, Abu Dhabi also represents our bridge to the growing downstream markets in Asia. The importance of Asia in OMV's strategy has also been emphasized through a memorandum of understanding signed in July. OMV, Mubadala and the Indonesian company Chandra Asri Petrochemical states their intention to explore opportunities for the cooperation in petrochemicals.

Moving from a project in its early stages to one that is well advanced, we turn to our ISO C4 plant in the Burghausen refinery. Already under construction, it is planned that this facility will produce high-purity isobutene from Q4 next year onwards.

Our 2 Upstream projects that have been further developed this year, SapuraOMV in Malaysia and Achimov IV/V in Russia, will substantially increase OMV's long-term production growth and will further diversify our Upstream portfolio.

But our corporate strategy is not only based on economic fundamentals and macroeconomic trends. It also addresses the challenges of climate change and embraces a proactive approach to carbon management. OMV is targeting to contribute different -- at different levels. Firstly, we are reducing the CO2 emissions of our business activities by optimizing technical processes, by steady and consistent ending of routine flaring until 2030 and by building a photovoltaic plant to contribute sustainably to our own energy supply in Austria.

What else? We are reducing the carbon footprint of our products by increasing the share of gas in our portfolio and, for example, through coprocessing of biogenetic components in our fields in a highly efficient manner. Furthermore, we are working on innovative technologies for the chemical processing and underground storage of CO2.

In addition, we are looking for technical options that hydrogen can offer us in the future. To be able to dynamically advance these complex and diverse activities and manage them efficiently, we have established a dedicated department called new energy solutions, which will bring together all of the different aspects in developing low-emission technologies. These technologies have a key part to play in the future success of OMV.

Ladies and gentlemen, let us now discuss our business performance of the first 9 months. Our Upstream division managed to increase oil and gas production by 14% to 481,000 barrels per day. The main contributors for growth were our acquisitions in New Zealand, Abu Dhabi and Malaysia, together with an increase in production of our offshore field, Aasta Hansteen, in Norway.

We also succeeded in growing our sales volumes, namely by 15% to a total of 125 million barrels. Despite these growth ambitions, we continue to have a strong focus on reducing costs in order to further strengthen our competitiveness. Here, we remain on a successful path as we have managed once again to decrease our production cost by another 8% to average \$6.7 a barrel.

Our Downstream division managed to secure a strong result despite a lower refining margin. One key success factor was the high utilization rate of our refineries of 96% and increased sales volumes from both retail and commercial activities. The amount of refined products sold overall climbed by 5% to 16 million tonnes, whereby the contribution to earnings from Downstream Oil climbed significantly.

Looking at our natural gas trading business. The contribution to earnings may well have this decrease in light of the low trading margins, but sales volumes grew significantly. Overall, we managed to achieved a 14% increase to 92 terawatt hours. This is also clearly reflected in the market share. In Germany, we had a market share of around 2.8% at the beginning of this year, while we are now counting a share of 3.6%.

In conclusion, we have made considerable progress in achieving our goal of a 10% market share in Germany by 2025.

Ladies and gentlemen, the solid results from our 2 business divisions has enabled the OMV Group to achieve an exceptionally good performance in the first 9 months in a challenging business environment. With a clean CCS operating result of EUR 2.8 billion, we succeeded in growing earnings by 6% compared with the first 9 months of the last year. Our Upstream business increased its contribution to the clean CCS operating result by 3% to EUR 1.5 billion. The EUR 1.3 billion contribution of the Downstream business to earnings marked a rise of 8%.

The performance of our cash flow was equally positive. Portfolio optimization and a good operating performance in both business areas enabled us once again to generate strong operating cash flows above EUR 3 billion.

Ladies and gentlemen, I would like to conclude with an outlook for the full year 2019. We reconfirm our average Brent crude price for 2019 with \$65 per barrel, and we expect that the average gas price on the European spot markets will lack below the level of the previous year.

In Upstream, we plan an average full year production of just below 500,000 barrels a day. In the fourth quarter, the production has to be above 500,000 barrels per day depending, of course, on the security situation in Libya. The higher production level in Q4 is mainly driven by higher volumes in Russia and Norway.

In Downstream, we saw a very volatile refining margin in the first 9 months of this year. We estimate a further increase in the fourth quarter, mainly supported by IMO regulation. For petrochemicals, we project the full year margin to be at a similar level as in the previous year. The utilization rate of our refineries will be well above 92% as there is no longer maintenance planned this year.

In conclusion, OMV remains on a profitable growth course. Ladies and gentlemen, thank you very much for your interest in our company, OMV.

QUESTIONS AND ANSWERS

Andreas Rinofner

Thank you, Mr. Seele, for this statement and this explanation. Now we are very happy to take your questions. We have already at least 2 of them.

One is regarding Ruwais refinery and the other one is regarding Nord Stream 2. You can see it on the screen. To Ruwais first. Firstly, to Ruwais. Regarding Ruwais expansion -- is asking Reuters. ADNOC said this month, it wants to build a new refinery in Ruwais. Can you please give any details on the costs, timing and scale?

Rainer Seele - OMV Aktiengesellschaft - Chairman of the Executive Board, CEO & CMO

Well, regretfully, I can't give you any details. Since quite a while, the partners in Ruwais refinery are discussing expansion of the capacities, not only the expansion of the refinery capacities, also the expansion along the value chain more into petrochemicals.

It's part of the optimization program in Ruwais refinery that we would like to invest into accrued flexibility program. It's part that we would like to go also for higher upgrading the products, especially in -- more into gasoline and into new chemicals, especially as we speak about the aromatic chemicals.

As we speak about the expansion into a new refining capacities, we are in a very, very early stage to discuss it. So therefore, I can't release any numbers on investments or capacities. We have to sit together first and we have to define it, and then I will give you an answer more precisely.

Andreas Rinofner

Thank you. Coming to the second question, also from Reuters. Can you please give an update on Nord Stream 2?

Rainer Seele - OMV Aktiengesellschaft - Chairman of the Executive Board, CEO & CMO

Oh, yes. I'm delighted to do so. We have now 87% of the pipeline built. We have now a situation that we are waiting for the Danish, the decision of the Danish authorities. Especially it's important to know what kind of decision we are getting, whether or not we get a full approval or not. This will determine, of course, the timing and -- of the further laying activities of Nord Stream 2. We have a clear understanding that Nord Stream 2 company will do its utmost, especially to accelerate the pipe laying activities at a time we are going to receive the decision, a positive decision from the Danish authorities.

I repeat myself. We do have very, very constructive dialogue with the Danish authorities, and I am looking forward to get their decision to give you more detailed information, especially on the timing of Nord Stream 2.

Andreas Rinofner

There are additional 3 questions from [Vitus] regarding outlook. One question to outlook Q4 and then outlook for next year or the next years.

Coming to the first question, what is the trend for petrochemical and gas business in Q4?

Rainer Seele - OMV Aktiengesellschaft - Chairman of the Executive Board, CEO & CMO

In the fourth quarter, we do see a little bit of a slowing down of petrochemicals demand. So we are expecting that petrochemicals will see a slightly more challenging environment in the fourth quarter, but it's not really eroding the business. Don't take it too drastically. So we will have a little bit of a slowdown in petchem. That it's more than overcompensated by the upside, I do see in the fourth quarter in the refining business, especially as the diesel cracks are so positively developing and IMO effects in the fourth quarter. I expect also to have a substantial upwind for the refining margins. And this, you can see when you look into the forward curve of the refined products.

When we talk about the gas business, I have to say it depends on the weather. I'm so glad that next week, we have weather forecast that colder temperatures are moving into the European market. And then there will be, hopefully, call for additional gas demand. This will determine, of course, the fourth quarter. But even more important, it's also to mention that the decision of the Danish authorities will have an impact on the gas markets in the fourth quarter and especially in the first quarter next year.

Andreas Rinofner

Yes. And the second question regarding outlook is when do the production targets -- you announced 600,000 barrels midterm. Is this target still in place?



Rainer Seele - OMV Aktiengesellschaft - Chairman of the Executive Board, CEO & CMO

Yes. Of course, it's still in place. We have committed ourselves when we made the Capital Markets Day in spring last year that we would like to strive for 600,000 barrels per day production midterm. And if you look into our pipeline, we are well sailing towards the 600,000 barrels per day because we have now agreed with Gazprom on Achimov IV/V, and Achimov IV/V will contribute on a level of around 80,000 barrels per day. This is the major project. And then on the second project underway is, of course, the increase in production in Malaysia with SapuraOMV. There, we are targeting to upgrade the production from a current level of 40,000 barrels per day to at least 50,000 to 60,000 barrels per day.

Taking these 2 projects together, you will see the potential for OMV to grow the production from the level of 500,000 to the 600,000 barrels per day.

Andreas Rinofner

Okay. Then [Vitus] -- also Vitus is a very fine guest for today. Regarding New Zealand is the 1 question. Mark Smith plans to file a criminal complaint against Mr. Seele in the International Criminal Court, which would be the first time. Could you please give a comment on that?

Rainer Seele - OMV Aktiengesellschaft - Chairman of the Executive Board, CEO & CMO

Well, it is an announcement of complaint. Since it's not available actually, I definitely can't give -- cannot give you a comment in detail. But one thing is for sure. I reject the allegations expressed in the announcement as completely unfounded.

Maybe I'll give you some more information about the OMV activities in New Zealand, despite this complaint of Mr. Smith. OMV is mainly a gas producer in the country. And 2/3 of the gas we are producing is running into the plants of our largest customer in New Zealand. It is a transformation of this molecule methane into methanol. So in the first instance, the vast majority of the gas we are producing in the country is used into the chemical value chain. And that's going to be also the further interest of OMV to contribute, especially to the success and progress and prosperity of the country that we are going to safeguard the chemical value chain also with additional gas production from our activities in New Zealand.

And one thing I also would like to underline. All activities of OMV in New Zealand are in full compliance of the laws. All operations are run, and all undertakings are approved by the local authorities and have the support, therefore, with the decision from the new government of New Zealand.

Andreas Rinofner

So far, there is -- there are no more question. Just 1 question is left also from Reuters regarding outlook on M&A merchant acquisitions. Mr. Seele, M&A -- will M&A be back on the agenda in the next year, is Reuters asking.

Rainer Seele - OMV Aktiengesellschaft - Chairman of the Executive Board, CEO & CMO

Well, I repeat myself. I have captured this question so often in the past, and I will repeat myself. OMV has decided that after a longer period of heavy M&A activities, we are now ready to take a break. We would like to harvest our acquisitions, and we would like to strengthen -- further strengthen our balance sheet. Well, the balance sheet is still very, very strong. If you look into the third quarter results, you will find out that although OMV has made a major acquisition in Abu Dhabi with a 15% interest in the refinery, our gearing ratio went up to 29%. So we are well below our long-term target of the 30% gearing ratio.

Next year, we have to wait and see. We will optimize our portfolio by executing our last remaining big project in the M&A sector. And this is integrating the Achimov IV/V project into our portfolio. We will focus on our project in Romania. So we would like to go and prepare an FID for Neptun. These are the projects we do have in the pipeline, and it's not an M&A pipeline I will look now into for the year 2019. It's now -- not our prime priority in OMV for 2019 -- for 2020, sorry.

Andreas Rinofner

Thank you, Mr. Seele. Ladies and gentlemen, as there are no further questions, I will conclude this webcast. Thank you very much, Mr. Seele, for statement and answering the questions, and we will send to you best wishes from Vienna. Goodbye.

Rainer Seele - OMV Aktiengesellschaft - Chairman of the Executive Board, CEO & CMO

Bye. Thank you for joining us.

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